



**OFFICE OF PUBLIC INSTRUCTION**  
PO BOX 202501  
HELENA MT 59620-2501  
[www.opi.state.mt.us](http://www.opi.state.mt.us)  
(406) 444-3095  
888-231-9393  
(406) 444-0169 (TTY)

**Linda McCulloch**  
Superintendent

April 25, 2002

**REVISED MAY 6, 2002**

TO: District Clerks/Business Managers  
District Superintendents

FROM: Joan Anderson, Division Administrator  
School Budgeting and Accounting Division

**RE: Implementation of GASB 34**

This letter is designed to communicate the Office of Public Instruction's (OPI) guidance to public schools implementing GASB 34. This is the first of several letters and files you will receive throughout the next fiscal year to assist you in implementing the new reporting format.

**What is GASB 34?**

The Governmental Accounting Standards Board (GASB) adopted GASB Statement No. 34, a national accounting and reporting standard that will significantly change the format of a school district's audited financial statements **for most schools** starting in FY 2003-04. The statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions.

Section 20-9-213, MCA, requires trustees to keep "an accurate accounting...in accordance with generally accepted accounting principles" and "cause the accounting records of the district to be audited as required by 2-7-503." In order to be in compliance with generally accepted accounting principles (GAAP), school districts will be required to implement GASB 34.

**Who is Affected?**

Most Montana school district must implement GASB 34 with the FY 2003-04 audit. **There are 19 schools that must implement GASB 34 with the FY2002-2003 audit. [see attached list]** Only districts that do not meet the \$200,000 total revenue threshold requiring an audit (i.e., districts that get "reviews" instead of audits) will not have to implement GASB 34. However, districts that are close to the \$200,000 total revenue threshold should be aware of GASB 34 impacts in case the district needs an audit in the future.

**If GASB 34 Must be Implemented in 1 or 2 Years, Why Start Now?**

There are several major changes to prepare for. Some important steps will have to take place during FY 2002-03 for your district to be ready for implementation **at the end of FY2002-03 or FY 2003-04.**

**How Will The Trustees' Financial Summary (TFS) Be Affected?**

Except for a few minor changes in fund types, there will be no changes required for the district's accounting and reporting on the TFS. The changes will result in minor coding changes that will be addressed in the 2002 School Budgeting and Accounting Workshops in July. You will receive further written notification of those changes at that time.

### **What Are The Major Changes To Plan For?**

One of the major changes GASB 34 requires is that government-wide financial statements will be prepared using *full accrual* accounting. This change will require districts to place a value on all capital assets, calculate depreciation, record offsetting long-term debt, and report information regarding the net value of assets on the government-wide financial statements. This means:

- Fixed asset records are "a must." Fixed assets are a more important aspect in the new financial statements. Before GASB 34, some districts got by without updated fixed asset records, but this may result in an "adverse" audit opinion under GASB 34.
- Depreciation of fixed assets, by function, must be reported on the new statements. The district will have to create a depreciation schedule and have it available for the auditor. Several depreciation methods are acceptable, but OPI recommends simple straight-line depreciation. (OPI will offer training during FY 2002-03.)

Another major change will be the addition of a Management's Discussion and Analysis (MD&A). The MD&A will provide an analysis of the district's overall financial position and results of the previous year's operations to help the users of financial statements to assess whether the district's finances have improved or deteriorated. The analysis will explain significant variations in financial results and budgetary information, and will describe capital asset and longterm debt activity during the year. The MD&A will conclude with a description of currently known facts, decisions, or conditions that are expected to have a significant effect on the district's future financial position and operations. This means:

- District must write an MD&A ("Management's Discussion and Analysis") to put in the audit report. GASB 34 requires that it must be written by the district, not the auditor, and it must contain certain types of information about the financial status of the district. (OPI will offer training during FY 2002-03.)

### **What's The Timeline?**

Now through June 30	Plan
During FY 2002-03	Prepare (19 school districts also implement)
During FY 2003-04	Implement (all school districts)

### **What Should Districts Do Now To Plan?**

Clerks/Business Managers should start assessing the changes they'll need to make, including what's needed to get training, get records in shape, and get prepared.

#### Checklist of steps to take now:

- ☐ 1) Notify your Board now that the change is coming and that more information will be distributed from OPI during FY 2002-03.

- ☐ 2) Plan to attend OPI's Summer 2002 Budget and Accounting Workshops, where OPI will begin providing GASB 34 training. (NOTE: Sessions are already scheduled—See OPI's School Finance Calendar on the web site at <http://www.opi.state.mt.us/Calendars.html> . )
- ☐ 3) Plan to attend the OPI teleconference training sessions throughout FY 2002-03 (to be announced).
- ☐ 4) If you don't have adequate fixed asset records, decide whether the district will inventory assets and create the records themselves or whether the process will be contracted. [Records should be in place no later than December 31, 2002, to avoid serious delays in implementation.]
  - ☐ a) Regardless of who inventories assets, the district must have a capitalization policy. Have the board adopt a policy, if they have not already done it. OPI recommends you use a \$5000 cost threshold in accordance with federal grant guidelines, but a lower threshold is acceptable. The earlier this can be done, the better.
  - ☐ b) If the district will inventory assets and create fixed asset records, write a plan and timeline for the board to approve.
  - ☐ c) If inventory services will be contracted, gather info about vendors, check for references, do an RFP if necessary, and have the board contract for the service to be done during FY 2002-03.
- 5) Contact your auditor early in FY 2002-03 to ask:
  - ☐ a) Does the auditor intend to implement GASB 34 for the audit of FY 2002-03 or FY 2003-04 audit? [See list of FY2002-03 implementors attached]
  - ☐ b) What new items does the auditor expect you will prepare for the audit? (MD&A, statements, footnotes, depreciation schedules, etc.)
  - ☐ c) Do they have any preliminary advice for implementing GASB 34?
- 6) Start deciding how new responsibilities will be handled:
  - ☐ a) If you'll need professional help to create statements, get fixed asset records in shape, or create depreciation records, discuss the necessary contracts with your board.
  - ☐ b) If you plan to create statements and do the depreciation schedule yourself, plan to get necessary training. (See #2 and #3 above. Watch for other training opportunities provided by CPAs and vendors during FY 2002-03.)

### Where To Get More Info?

1) OPI: OPI is working to develop implementation guidance that will enable public school districts to effectively transition into the new reporting model. The OPI guidance will be released throughout FY 2002-03. OPI will be providing training sessions and will make information available on the web at <http://www.opi.state.mt.us> under Programs and Services at OPI, School Finance. The plan is to update the guidance as new information becomes available.

2) Recommended Resources: To find out more about how the standard applies to schools, OPI recommends reading the implementation guide for schools written by GASB and the Association of School Business Officials (ASBO). GASB Statement 34 Implementation Recommendations for School Districts is available from the Association of School Business Officials (ASBO). To order online, visit their website at <http://asbointl.org/Publications/PublicationCatalog/index.asp?s=0&cf=3&i=163>. Cost is \$26.50 for ASBO members and \$35.00 for non-members, plus shipping. You can also contact ASBO International, 11401 North Shore Drive, Reston, VA 20190-4200. Phone is (703) 478-0405.

OPI Contacts:      Jim Oberembt      (406) 444-1257      [joberembt@state.mt.us](mailto:joberembt@state.mt.us)  
                          Joan Anderson      (406) 444-1960      [janderson@state.mt.us](mailto:janderson@state.mt.us)

Cc:                    County Superintendents      MREA                    SAM                    MSBA  
                          Auditors                    MEA-MFT                    MASBO

May 6, 2002

TO: School District Business Officials  
School District Auditors

FROM: Jim Oberembt  
Fiscal Officer

RE: School District Needing a GASB 34 Audit FY2002-03

According to the Governmental Accounting Standards Board (GASB) Statement 34, school districts with certain revenues in FY1998-99 that are less than \$100 million but exceed \$10 million will be required to implement GASB 34 with the FY2002-03 audit. When calculating the threshold limits, the statement provides that total revenues include governmental and enterprise funds but exclude extraordinary items, like the sale of capital assets.

The following is a list of school districts that meet the criteria to have a GASB 34 audit for FY2002-03. These districts should meet with their auditors very soon to discuss how to plan and implement GASB 34 changes. OPI will also be providing training throughout FY2002-03.

<u>School District Name</u>	<u>FY99 Revenues</u>
Belgrade Public Schools	12,062,446
Billings Public Schools	91,674,006
Bozeman Public Schools	30,324,077
Browning Public Schools	20,755,284
Butte Public Schools	31,978,341
Colstrip Public Schools	10,291,896
Columbia Falls Pub Schls	13,107,173
Great Falls Public Schls	65,639,335
Hardin Public Schools	12,069,850
Havre Public Schools	13,016,443
Helena Public Schools	47,932,481
Kalispell Public Schools	29,684,224
Laurel Public Schools	10,530,492
Libby K-12 Schools	10,039,397
Miles City Public Schools	10,374,267
Missoula Co Public Schls	60,760,145
Polson Public Schools	10,568,802
Poplar Public Schools	10,432,063
Whitefish Public Schools	10,253,337

If you have any questions, please contact me at 444-1257 or email me at [joberembt@state.mt.us](mailto:joberembt@state.mt.us).